

## **MINUTES**

### **MONTANA SENATE 57th LEGISLATURE - REGULAR SESSION COMMITTEE ON ENERGY AND TELECOMMUNICATIONS**

**Call to Order:** By **VICE CHAIRMAN ROYAL JOHNSON**, on March 20, 2001  
at 4:30 P.M., in Room 317-C Capitol.

#### **ROLL CALL**

**Members Present:**

Sen. Royal Johnson, Vice Chairman (R)  
Sen. Steve Doherty (D)  
Sen. Mike Halligan (D)  
Sen. Bea McCarthy (D)  
Sen. Corey Stapleton (R)  
Sen. Mike Taylor (R)  
Sen. Tom Zook (R)

**Members Excused:** Sen. Mack Cole, Chairman (R)  
Sen. Alvin Ellis Jr. (R)  
Sen. Walter McNutt (R)  
Sen. Don Ryan (D)

**Members Absent:** None.

**Staff Present:** Todd Everts, Legislative Branch  
Misti Pilster, Committee Secretary

**Please Note:** These are summary minutes. Testimony and  
discussion are paraphrased and condensed.

**Committee Business Summary:**

Hearing(s) & Date(s) Posted: HB 564, 3/14/2001  
Executive Action:

#### **HEARING ON HB 564**

**Sponsor:** REPRESENTATIVE ALAN OLSON, HD 8, Roundup

**Proponents:** Bob Rowe, Public Service Commission  
Mark Baker, AT&T  
Geoff Feiss, Montana Telecommunications Assn.  
Mike Strand, Montana Independent Telecommunications  
Systems

**Russ Cravens, Qwest**  
**John Fitzpatrick, Touch America**

**Opponents:** **Jay Preston, Ronan Telephone**  
**Chuck Evilsizer, Hot Springs Telephone**

**Opening Statement by Sponsor:**

**REPRESENTATIVE ALAN OLSON, HD 8, Roundup,** submitted written testimony, **EXHIBIT (ens63a01)**.

**Proponents' Testimony:**

**Bob Rowe, Public Service Commission,** submitted written testimony, **EXHIBIT (ens63a02)**.

**Mark Baker, AT&T,** submitted a proposed amendment, **EXHIBIT (ens63a03)**. The need for the amendment arose from an equity and fairness position. The federal Universal Service fund is solely funded through interstate revenue and is an assessment based upon that. The amendment addresses the need for contributions from interstate revenue, should the federal fund disappear.

**Geoff Feiss, Montana Telecommunications Assn.,** noted that the concept of the Universal Service is that all Americans should have access to affordable telecommunications services, regardless of where they live. To make that possible, there is a nationwide contribution pool from which high cost telephone companies are supported. Last year, there was a recommendation from the Rural Task Force, which was an FCC commissioned group of various telecommunications interests, on the advancement of Universal Service. Customers of rural carriers tend to have a relatively small local calling scope and make proportionally more toll calls. Rural carriers frequently have substantially fewer lines per switch. Universal Service is a national mechanism by which support for rural companies can be obtained so investment can be maintained in rural infrastructure. This bill simply seeks the authority to establish a program, if and when needed, that would compliment, but not replace, the federal program.

**Mike Strand, Montana Independent Telecommunications Systems,** submitted written testimony, **EXHIBIT (ens63a04)**.

**Russ Cravens, Qwest,** voiced support of the bill and amendments.

**John Fitzpatrick, Touch America,** supported the legislation and amendments.

**Opponents' Testimony:**

**Jay Preston, Ronan Telephone**, submitted written testimony, **EXHIBIT (ens63a05)**.

**Chuck Evilsizer, Hot Springs Telephone**, submitted written testimony, **EXHIBIT (ens63a06)**.

**Questions from Committee Members and Responses:**

**SENATOR TOM ZOOK** wondered if the sponsor agreed that there was no enforcement mechanism. **REPRESENTATIVE OLSON** disagreed. The Public Service Commission (PSC), through their rule making authority, would set up the terms and conditions of the program.

**SENATOR ZOOK** asked who the fiscal agent would be. **Bob Rowe** indicated that the bill provides that a fiscal agent be selected through a competitive bidding process and a carrier may not be the fiscal agent. **SENATOR ZOOK** noticed that the fiscal agent's responsibility was to see that money was collected and questioned whether it was also their responsibility to dispense it. **Mr. Rowe** said yes. The PSC adopted rules governing the program and oversees that the fiscal agent follows those rules.

**SENATOR ROYAL JOHNSON** stated that the legislation was a renewal with no ending date. He desired to know what has happened in the area as far as rules and collections being made and appointments of fiscal agents in the past two years. **Mr. Rowe** replied that Universal Service should be a federal issue. During the past few years, a number of states have adopted state-level programs.

**SENATOR JOHNSON** inquired as to how the federal group who disperses funds figures out who gets what and how much. **Mr. Rowe** responded that the process starts with congressional authorization. The joint board then conducts proceedings and adopts policies. The FCC adopts rules and then there are two organizations that are essentially administering parts of the program. There is the Universal Services Administrative Company and the National Exchange Carrier Association, both of which have very detailed rules and reporting requirements. Charges are assessed on all carriers and are then distributed according to formulas that are monitored and audited. The formula is one of the most controversial things in telecommunications policy. There are a number of different models and ultimately, the joint board makes recommendations that the FCC adopts. Those models are then made into rules and practices that the administrators carry out.

**SENATOR JOHNSON** sought to know whether the \$45 million that came into Montana was in one large portion and how it was dispersed.

**Mr. Rowe** explained that the disbursements are made directly to the individual companies. There are reports on those disbursements on a quarterly basis. All of the carriers in Montana, excluding Ronan, receive some amount of high cost fund support. Ronan's costs, according to the formula, are relatively lower so they don't receive the high cost fund support. Qwest, as a large carrier, participates in a separate fund. **SENATOR JOHNSON** asked if Qwest would receive a substantial amount of money in addition to or part of the \$45 million. **Mr. Rowe** exhorted that Qwest receives roughly \$2 million. The smaller companies receive roughly \$45 million. All rural carriers participate in the program currently being finalized. **SENATOR JOHNSON** desired to know what the cost would be to ratepayers. **Mr. Rowe** exclaimed that if the state fund were instituted, the PSC would have to look at the cost. It would be impossible to say what the program might cost unless the exact program was known. This legislation identifies the services that may be funded. It is in contrast to the federal legislation which says that the definition of Universal Service is to evolve over time and that the joint board is to examine it.

**SENATOR MIKE TAYLOR** wanted an explanation of why Ronan and Hot Springs Telephone didn't participate in the program. **Mr. Rowe** noted that Hot Springs does receive high cost fund support, but Ronan does not. The Ronan service territory concentrates more closely around the town of Ronan, whereas the Hot Springs territory has more rugged conditions.

**SENATOR ZOOK** mentioned previous testimony saying that current funds were being abused. **Jay Preston** elaborated that there wasn't definite proof, although they were convinced that they were competing against the fund. They have tried for two years to get the issue addressed, both at the state commission level and in the courts, but nobody was willing to investigate the possibility of the abuse occurring. **SENATOR ZOOK** thought it was wrong to throw out a charge without any proof.

**Closing by Sponsor:**

**REPRESENTATIVE OLSON** purported that cooperatives are regulated by their membership every year at annual meetings. This fund has benefitted Montana greatly and addresses things such as one telephone hookup per mile of line.

**ADJOURNMENT**

Adjournment: 5:15 P.M.

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SEN. MACK COLE, Chairman

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MISTI PILSTER, Secretary

MC/MP

**EXHIBIT (ens63aad)**